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What is governance?

Governance means thinking about strategic issues, rather than the operational day-to-day running of the business. Governance applies to all companies, including start-ups and those focused on achieving high growth.

What does governance really mean

When people talk about company governance they're usually talking about the role of the board of directors. Boards exist to ensure a company is well run, and well governed so that shareholder value can be maximised and no 'funny business' goes on.

In start-ups or high growth businesses, governance often begins when an owner or manager steps outside of their operational role and seeks help from a trusted advisor. They begin to realise the value of this external perspective and as the business grows, they seek to formalise this into a governance structure of a board or advisory board.

Good governance helps a company:

- [Improve performance](#)
- Have a defined vision for the future of the company
- Take a [big picture view](#) of the business separate from the operations
- Ensure there is accountability and oversight of operations
- [Manage risk](#)
- Find the right balance between making short-term gains and building long-term wealth

What governance options should I consider?

Many businesses already have **trusted advisors**. At critical points companies often turn to experts for advice in such areas as setting strategy or business planning. All companies need advisors and specialists, from time-to-time. However advisors are not the same as board members. Inside directors are much more committed to the longevity and future of the company – a very valuable asset.

Many owners get to a critical stage where their knowledge, passion and skill get stretched. The company may be:

- growing and needs to find new ways of running the business that rely less on the owner's personal involvement
- facing opportunities that are outside the current owner's knowledge and experience
- in need of profiling itself to investors, bankers and other important outsiders
- wanting to grow and prosper in the future without the owner's input

- wanting a fresh perspective on issues free of any emotional bias.
- being readied for sale.

In all these cases, it's time to look at a more formal structure of an advisory board or a board of directors.